

# ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Bowen Analyst: Kristina E. North Bill Number: SB 1467  
Related Bills: See Legislative History Telephone: 845-6978 Amended Date: June 13, 2002  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Public Contracts/Conflict of Interest

### SUMMARY

The bill would expand the conflict of interest provisions that already apply to certain state purchases to data processing, telecommunications, and other information technology contracts.

This analysis does not address the bill's language regarding the Trustees of the California State University as it does not impact the department's programs or state income tax revenue.

### SUMMARY OF AMENDMENTS

The June 13, 2002, amendments made changes that would impact the California State University conflict of interest provisions and do not impact this department.

This is the department's first analysis of this bill.

### PURPOSE OF THE BILL

The purpose of this bill appears to be to ensure that conflict of interest provisions apply to all state contracts.

### EFFECTIVE/OPERATIVE DATE

This bill would be operative on or after January 1, 2003.

### POSITION

Pending.

### ANALYSIS

#### FEDERAL/STATE LAW

**Current state law** generally governs the procurement of materials, supplies, equipment, and services by state agencies.

**Current state law** contains conflict of interest provisions that impact the state purchasing process. These laws prevent any individual or firm that holds more than a 10% interest in a state consulting contract from bidding on or receiving a contract for goods and services that may be recommended as a result of that consulting contract. State employees may not negotiate or enter into contracts with the state if the employee has a financial interest in the contract. Former state employees may not financially benefit from a contract they helped negotiate while working for the state for a two-year period after leaving state service. Former state employees in policymaking positions may not enter into a contract with any state agency for 12 months after leaving state service.

Board Position:

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Department Director

Date

Gerald H. Goldberg

7/5/02

These conflict of interest provisions do not apply to *all* state purchases of electronic data processing equipment, telecommunications services, or information technology projects. Instead, similar provisions are applied on a case-by-case basis.

Current state law charges the Department of Information Technology (DOIT) with providing leadership, guidance, statewide coordination, and oversight of the state's information technology. DOIT's responsibilities include:

- ◆ reducing the total cost of ownership, security risks, and operational recovery issues;
- ◆ promoting component commonality, interoperability between systems, and staff retention;
- ◆ enhancing shared information within and between departments and with clients and citizens;
- ◆ minimizing security risks; and
- ◆ forcing agencies and vendors to deliver and be accountable for technology solutions.

### THIS BILL

For data processing, telecommunications, or other information technology projects, this bill would extend existing conflict of interest provisions to *all* individuals, corporations, or other entities that bid on or are awarded these projects.

### IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

### **LEGISLATIVE HISTORY**

SB 182 (Peace, 1999) would have specified that the State Contract Act relating to conflict of interest would apply to all individuals, companies, corporations, or other entities that bid on or are awarded electronic data processing and telecommunications goods and services contracts, with certain exemptions.

### **OTHER STATES' INFORMATION**

Determining conflict of interest provisions for data processing, telecommunications, and information technology projects in other states is outside the department's scope of expertise.

### **FISCAL IMPACT**

This bill would not significantly impact the department's costs.

### **ECONOMIC IMPACT**

This bill would not impact the state's income tax revenue.

### **LEGISLATIVE STAFF CONTACT**

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